

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-10 EUR-12 EA-09 NEA-10 ISO-00 SSO-00
NSCE-00 USIE-00 INRE-00 ERDA-07 AID-05 CEA-01 CIAE-00
CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-10 PA-02 PRS-01 /140 W
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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 8343
INFO AMEMBASSY ABU DHABI
AMEMBASSY ABIDJAN
AMEMBASSY ALGIERS
USIN BHAGDAD
AMEMBASSY BONN
AMEMBASSY BURSELS
AMEMBASSY CARACAS
AMEMBASSY COTONOU
AMEMBASSY DAKAR
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY FREETOWN
AMEMBASSY JIDDA
AMEMBASSY KINSHASA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LOME
AMEMBASSY LONDON
AMEMBASSY MONROVIA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY THE HAGUE
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
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AMEMBASSY YAOUNDE

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E.O. 11652: N/A
TAGS: ENRG, NI

SUBJECT: OFFICIAL NIGERIAN STATEMENT ON OPEC PRICE DECISION

1. COMMISSIONER OF PETROLEUM RESOURCES COLONEL MOHAMMED BUHARI
HELD PRESS CONFERENCE MORNING DECEMBER 21 ON RESULTS OF OPEC
MINISTERIAL IN DOHA.

2. IN PREPARED STATEMENT, BUHARI SAID NIGERIA FULLY
PARTICIPATED IN AND SUPPORTS DECISION OF MAJORITY OF
ELEVEN OF THIRTEEN OPEC MEMBERS TO RAISE PRICE BY 10
PERCENT JANUARY 1, 1977 AND ADDITIONAL FIVE PERCENT
JULY 1, 1977. MAIN REASON GIVEN WAS INFLATION IN
COST OF IMPORTS FROM DEVELOPED COUNTRIES EQUAL TO 26
PERCENT OVER PAST FIFTEEN MONTHS, DURING WHICH TIME OPEC
HAD FROZEN PRICE OF OIL. HIKE AMOUNTED TO STRIKING BALANCE
BETWEEN FULL COMPENSATION FOR THIS INFLATION AND WHAT
INDUSTRIALIZED ECONOMIES COULD ABSORB.

3. STATEMENT CLAIMS CONCERTED EFFORT BEING MADE BY MAJOR
INDUSTRIALIZED COUNTRIES TO CREATE DIVISION BETWEEN
OPEC AND NON-OIL PRODUCING COUNTRIES OF THIRD WORLD BY
FALSELY BLAMING PROBLEMS OF LDCS ON OPEC DECISIONS.
STATE PLAYS UP OPEC AID TO DEVELOPING COUNTRIES IN
BEST NEW ECONOMIC ORDER LANGUAGE. OPEC MEMBERS QUOTE
VERY CONSCIOUS OF DIFFICULTIES THAT HAVE BEEN AND WILL CONTINUE
TO BE EXPERIENCED BY THIRD WORLD IN GENERAL AND NON-OIL
PRODUCING STATES IN PARTICULAR UNTIL SUCH TIME AS RICH
INDUSTRIALIZED WORLD TAKES STEPS TO RECTIFY ARTIFICIALLY
CREATED EXPLOITATIVE DISTORTION OF WORLD ECONOMIC
RELATIONSHIP WHICH THEY HAVE WILLFULLY SUSTAINED OVER YEARS
UNQUOTE. OPEC MEMBERS CONTRIBUTED 2.5 BILLION DOLLARS IN
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1974 AND NINE BILLION DOLLARS IN 1975 TO AID DEVELOPING
STATES, AND INTENDING TO SUSTAIN ACCELERATION OF AID,
VOTED AT DOHA TO INCREASE ASSISTANCE TO NON-OIL
PRODUCING COUNTRIES BY ADDITIONAL 800 MILLION DOLLARS.
OPEC ASSISTANCE TO DEVELOPING COUNTRIES EQUIVALENT TO
THREE PERCENT OF OPEC GNP, WHEREAS, WITH EXCEPTION
OF SEDEN, NO DEVELOPED COUNTRY HAD MET TEN YEAR OLD UN
RESOLUTION TO CONTRIBUTE ONE PERCENT OF GNP, AND AVERAGE
ACTUALLY ABOUT 0.3 PERCENT, ONE-TENTH OPEC ACHIEVEMENT.

4. STATEMENT CONINUES THAT QUOTE VERY UNSATISFACTORY PROGRESS
MADE THUS FAR AT PARIS CONFERENCE ON EQUITABLE RESTRUCTURING
OF INTERNATIONAL ECONOMIC ORDER CASTS DOUBT ON GENUINNESS OF
DEVELOPED COUNTRIES TO MEET HOPES OF DEVELOPING WORLD FOR
FAIR DEAL UNQUOTE. DECEMBER SUMMIT POSTPONED AT INSTANCE OF
GROUP OF EIGHT. OPEC HAS REPEATDLY MADE SACRIFICES FOR
ECONOMY OF RICH NATIONS. IT TIME THAT HAVES FOR ONCE ACT
FOR OVERALL BENEFIT OF WORLD. DEVELOPING WORLD NEEDS

STABILIZATION OF RAW MATERIAL PRICES, DEBT RESCHEDULING, AND TRANSFER OF TECHNOLOGY. THESE NOT UNREASONABLE REQUESTS, YET ARE ISSUES ON WHICH NORTH-SOUTH DIALOGUE BOGGED DOWN BY GROUP OF EIGHT.

5. STATEMENT ENDS WITH SPECIFIC REFERENCE TO NIGERIAN EXPERIENCE. NIGERIA DEVELOPING COUNTRY AND KNOWS AS WELL AS ANY OTHER PAINS OF TRYING TO DEVELOP. NIGERIA'S SO-CALLED OIL RICHES INSIGNIFICANT WHEN COMPARED WITH POPULATION OF OVER 72 MILLION AND VERY POOR BASE FROM WHICH STARTING. NIGERIA HAS SEEN COST OF PROJECTS PLANNED OR SERVICES OFFERED RISE AS MUCH AS 20 OR 40 PERCENT WITHIN MATTER OF MONTHS. IT IMPOSSIBLE IN LIGHT OF NIGERIA'S PRACTICAL, OFTEN PAINFUL, EXPERIENCE, PARTICULARLY OVER LAST NINE MONTHS, TO JUSTIFY TO PEOPLE OF NIGERIA EITHER FREEZE IN PRICE OF OIL OR INCREASE BEARING LITTLE RELATION TO HIGH RATE OF IMPORTED INFLATION. DECISION BY OPEC MAJORITY SHOULD NOT BE SEEN AS PUNITIVE ACT BY INDUSTRIALIZED UNCLASSIFIED

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COUNTRIES. THEY SHOULD TRY TO SEE DECISION FROM OPEC POINT OF VIEW, ASK THEMSELVES WHAT OPEC COUNTRIES ARE TO GET IN RETURN FOR SACRIFICES THEY HAD OFTEN BEEN PRESSED TO MAKE. ONLY IN THIS WAY CAN THERE BE GENUINE START TO WORTHWHILE DIALOGUE FREE FROM USUAL PATERNALISTIC ATTITUDES OR THREATS OR SELF-SERVING DESIRE TO MAINTAIN FAVORABLE POSITION AT EXPENSE OF OTHERS BY ENCOURAGING DIVISIONS BETWEEN DISADVANTAGED GROUPS IN WORLD.

6. BUHARI FIELDERD QUESTIONS IN RELAXED, EASY MANNER AFTER READING STATEMENT. HE SAID PRICE DISAGREEMENT DID NOT SIGNIFY DOWNFALL OF OPEC. ALL MEMBERS SOVEREIGN NATIONS WHO HAD RIGHT TO DISAGREE AMONG THEMSELVES ON IMPORTANT ISSUES AND HAD DONE SO BEFORE, AND OPEC STILL SOUND AND HEALTHY. ASKED ABOUT POSSIBILITY OF SAUDI ARABIA INCREASING PRODUCTION AND EFFECT ON TWO-TIER PRICE, BUHARI SAID NIGERIA IS DETERMINED TO STICK WITH TEN PERCENT INCREASE AND WILL CUT BACK PRODUCTION IF DROP IN DEMAND MAKES THIS NECESSARY. OPEC ELEVEN WILL MEET TO DISCUSS PROBLEM OF SAUDI INCREASE IF AND WHEN IT OCCURS. IN ANY CASE, IT WOULD TAKE SAUDIS TWO MONTHS TO EFFECT ANY SIGNIFICANT INCREASE. IN ADDITION, SAUDI CRUDE NOT SUBSTITUTABLE FOR ALL OTHER KINDS OF CRUDE. IF YOU CONCENTRATE ON MAKING GASOLINE, YOU NEED LIGHT CRUDE, LIKE NIGERIA. WHILE THERE LIKELY TO BE SOME SHIFT BY PURCHASERS TO SAUDI CRUDE, HE DID NOT THINK NIGERIA WOULD LOSE MANY BUYERS AND QUOTE WE WILL DO UNTO OUR CUSTOMERS AS THEY DO UNTO US UNQUOTE. BUHARI DID NOT MENTION ANY SPECIFIC RETALIATORY STEPS NIGERIA MIGHT TAKE, BUT REMINDED BUYERS OF NIGERIA CRUDE THAT BEFORE THEY CANCEL NIGERIAN CONTRACTS, THEY SHOULD CAREFULLY CONSIDER

WHETHER SAUDI CRUDE WILL ACTUALLY BE AVAILABLE, WHETHER SAUDIS
MIGHT NOT ALSO RAISE PRICES, AND WHAT EFFECT MIGHT BE ON
PURCHASERS' LONG TERM SECURITY OF SOURCES OF SUPPLY. SAUDI
ALTERNATIVE INVOLVED ELEMENT OF UNCERTAINTY, AND IT BOILED
DOWN TO QUESTION OF HOW MUCH RISK OIL BUYERS PREPARED TO
TAKE.

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